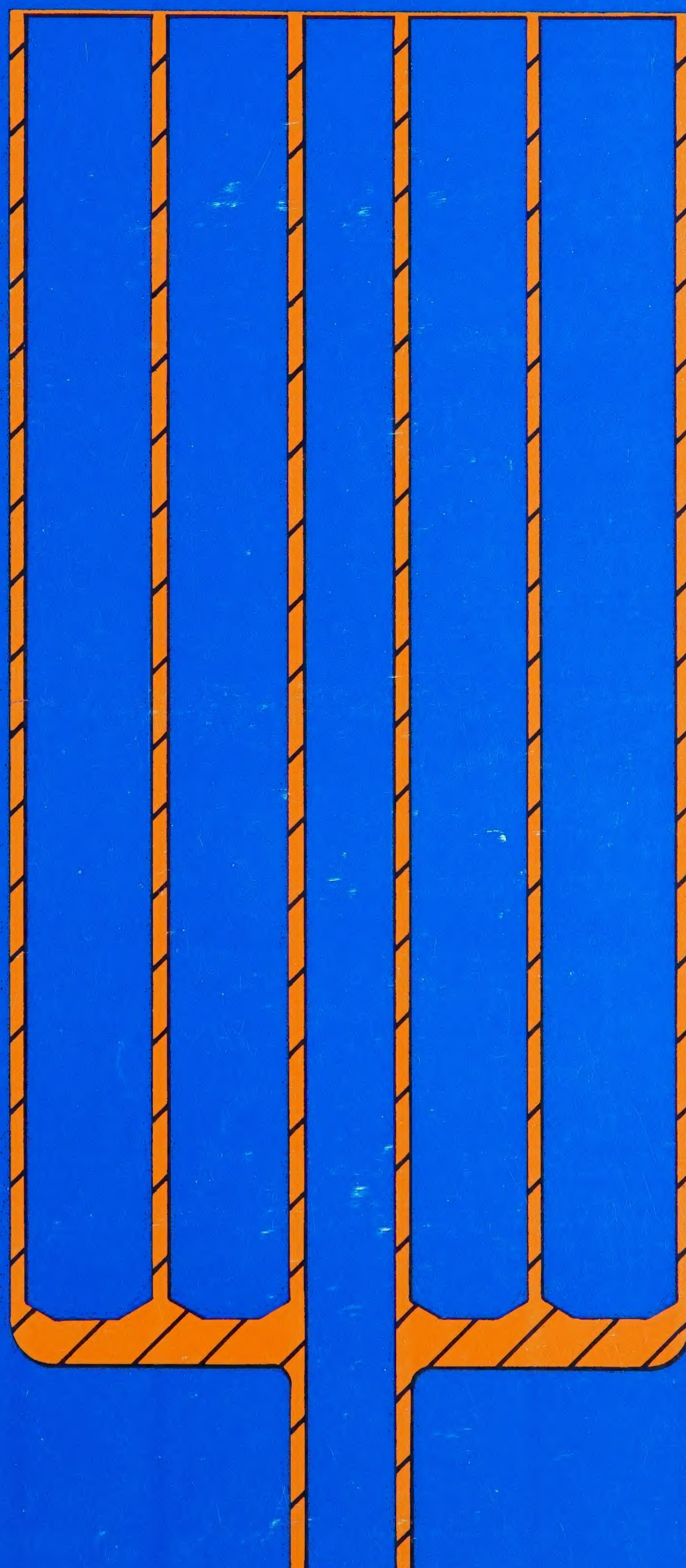
GENERAL IMPACT EXTRUSIONS LTD. ANNUAL REPORT NINETEEN SIXTY-NINE



GENERAL IMPACT EXTRUSIONS LTD.

Financial Highlights

For the years ended December 31	1969	1968
Sales	$10,500,773	$10,359,814
Earnings before taxes	629,023	594,491
Net Earnings	453,823	293,191
Cash Flow	987,321	592,574
Earnings per share*	0.87	0.57
Cash Flow per share*	1.89	1.14
Dividends per share	0.15	0.10
Shareholders' Equity per share*	5.50	3.20
Capital Expenditures	976,912	844,343
Number of Employees	585	568

(*based on weighted average of shares outstanding during period)

Donald S. Arnott, Vice-President Sales, second from left, briefs Toronto sales group on latest product capabilities of impact extrusions. To Mr. Arnott's left is James Parr, Sales Manager Packaging.

Frederick N. Dewis, Vice-President Manufacturing, right, and Erwin Rohner, Production Manager, examine finish on an extruded part where quality is critical.

To our Shareholders

A company is people, the products they create and the services they render.

A company is also an inanimate blend of equipment, buildings, inventories and capital. People give these assets purpose and direction. The annual report is the measure of progress achieved, the recounting of successes and failures, and the telling of hopes of the future.

This report is about what we, the people of General Impact Extrusions, did in 1969:

—we sold more goods than in any past year

—we earned more money and generated more cash flow than in any past year

—we invested heavily in equipment to enable us to grow

—we tried to live with rising labour and material costs, but saw our margin of profit slipping during the year

—we added muscle to our plastic affiliate, Xyno, through a major acquisition.

The Year in Review

General Impact Extrusions (Manufacturing) Ltd., Toronto

In both the packaging division and the heavy impact extrusion division of the Toronto plant, capital investment was directed towards automation and improved material handling, as rising labour costs make it imperative that increased productivity be attained.

Capital investment has also been directed towards controlling in-plant, all operations whenever volume justifies such an investment. Whereas two years ago much of the heat treatment, anodizing and surface treatment was done on a contract basis by suppliers, the Toronto plant has now virtually become self-sufficient. The continuous anodizing line described in last year's report has been in operation for eight months and services most of the anodizing requirements of both the Toronto and Buffalo plants.

During the second half of 1969 a chromate surface treatment installation was completed, giving us further in-plant facilities.

G.I.E. Corporation

1969 was the Buffalo plant's first year of volume production and operations were conducted profitably. The production capacity of the plant was added to substantially during the late summer with the arrival of a custom-built large horizontal impact extrusion press, the largest of its kind built to date. This press gives the Buffalo plant certain unique capabilities to produce at high efficiency larger impact extrusions.

During the year additions were also made to the machining capacity of the Buffalo plant, and in due course it is anticipated that the plant will be enlarged to give room for additional machining and heat treating capacity to support the growing load on the extrusion presses.

Markets

The Company serves predominately two markets: the Canadian packaging industry and the North American defence products market. In the Canadian packaging market we are the largest supplier of aluminum collapsible tubes and aerosol cans. The total market is shared with a small number of other producers and due to the change of control of one of our competitors, and the entry into the market of a small producer, considerable price instability has been created. This condition is likely to prevail in 1970 and though demand for our packaging products is high, present industry pricing policy will lower profits.

The demand for the Company's defence products continues at a high level and much of the capacity of both the Toronto and Buffalo plants is now committed for 1970.

We are actively engaged in finding through research and development new uses for aluminum impact extrusions, often as a substitute for brass and steel components shaped by other metal forming techniques.

J. Palestino, Sales Manager, and Wilbur Harris, General Manager, G.I.E. Corporation, Buffalo, N.Y., discuss an aluminium impact produced in a 1300 ton mechanical press.

George B. Thiel, Treasurer, at right, checks a ledger in the Toronto accounting office.

Beyond the packaging and defence markets we are investigating and are starting to serve certain segments of the electronics and automotive markets. Particularly the latter shows promise of developing certain extremely large applications. As in other markets, it is the Company's policy to find new uses for automotive aluminum impact extrusions and to participate in the research and development of such applications in anticipation of large production runs. At present the Company is working on several new automotive applications, the scope of each of which is very high in relation to our total capacity.

Xyno Plastics Ltd.

Xyno Plastics Ltd., which is 50% owned by your Company, is our means of participating in the dynamic Canadian plastics market and through growing exports, to participate in particular segments of the American plastics market. Since the commencement of operation in late 1964, Xyno has grown rapidly internally as well as through acquisitions.

In mid-1968 Xyno acquired Flint Manufacturing & Sales Ltd. with its plant in Scarborough. This division is now operating under the name of Xyno-Matic Ltd., a name which will in due course be adopted throughout our plastic operations. On December 18, 1969 Xyno-Matic Ltd. in turn acquired Plastomer Ltd., a large and well established manufacturer of both injection molded and thermoset plastic products with a plant in Barrie, Ontario. With the addition of Plastomer, the Xyno-Matic group becomes one of Canada's largest suppliers of precision molded plastic parts.

During 1969 Xyno Plastics Ltd., on a consolidated basis but excluding Plastomer Ltd. due to its acquisition so late in the year, earned $120,808 and produced a cash flow of $243,139, compared to $62,094 and $150,413 in 1968. The Company's share of these earnings was $55,905 and appears so identified in the statement of earnings which is part of the accompanying financial statements.

With the acquisition of Plastomer, Xyno operates three plastic facilities in Ontario: the original plant in Etobicoke which shares facilities with General Impact; the Scarborough plant; and now the newly acquired Barrie plant. In order to rationalize production, increase efficiency and reduce certain duplication of services, planning is in progress to consolidate the three operations at a new location in Barrie.

Wellings Mint Ltd. and The Franklin Mint, Inc.

In April, 1969 we purchased Wellings Ltd., Canada's only private mint manufacturing numismatic coins, promotional coins and tokens. In the second half of the year we were approached by Franklin Mint, the largest and most successful U.S. private mint, which, having acquired a British mint, wanted to establish itself in Canada. After negotiations it was agreed that we would receive a convertible debenture of International Minting and Metalarts Inc., Franklin's foreign subsidiary, this debenture being guaranteed by Franklin and being accompanied by a bonus of warrants on Franklin Mint shares. In this manner we have converted our investment in Wellings into a means of participating in the future profitability and growth of both Franklin Mint in the United States and its foreign operations.

Financial Developments

Financial highlights have been presented at the outset of this report and detailed audited financial statements and comparative statistics can be found in subsequent pages.

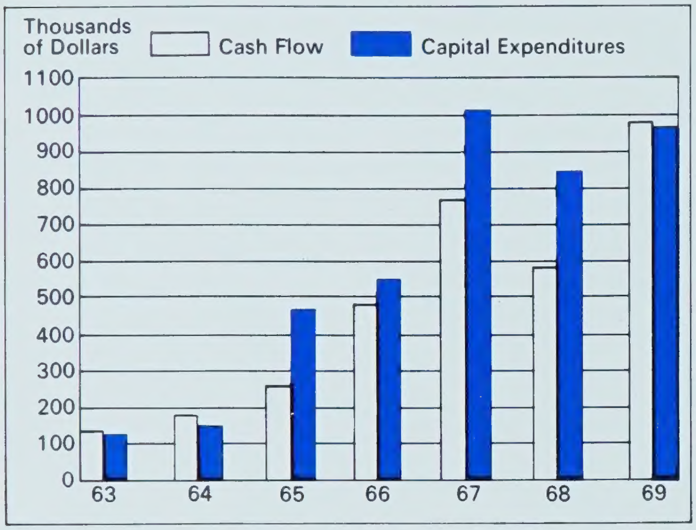
As in past years, your Company has made substantial investments in new equipment. Capital expenditures totaled $976,912. Beyond capital expenditures your Company made an additional investment in Xyno Plastics of $300,000 to place that company in funds for its acquisition of Plastomer, and an investment of $193,000 was made in Wellings Mint Ltd., which is now in turn reflected by convertible debentures and warrants of Franklin Mint and its subsidiary. In order to sustain these expenditures while maintaining working capital, the Company made an offering of common shares to its stockholders. This issue was successfully completed on December 22, 1969 and was 98.5% subscribed. These various transactions are all best summarized by reference to the consolidated statement of source and

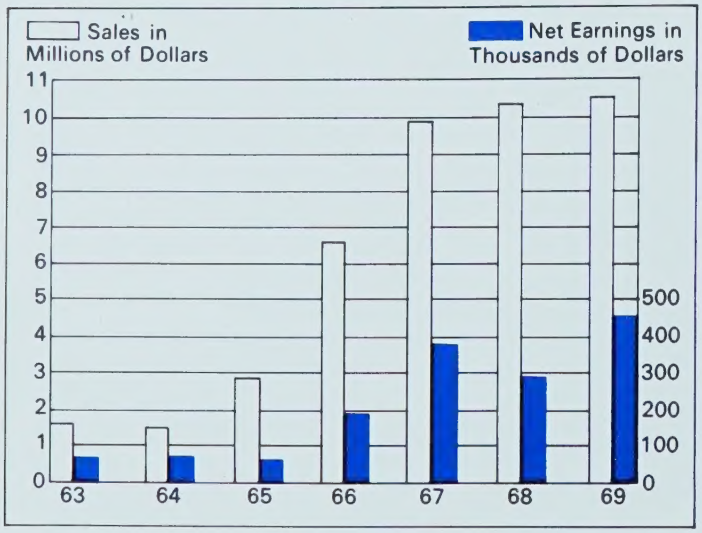
Left to right, Michael G. Newman, Sales Manager Gilbert T. Lloyd, Manager of Manufacturing, and Donald C. Wainman, General Manager, hold an impromptu meeting in front of an injection molding machine at the Plastomer Division of Xyno-Matic Ltd. in Barrie, Ontario.

Karl Moesch, right foreground, Manager Engineering Serivces of General Impact Extrusions, discusses specifications of new product with Norm O'Rourke, Chief Engineer.

application of funds which form part of the accompanying financial statements.

In January, 1969 shareholders received a tax-free distribution, under Section 105 (2) of the Income Tax Act, of three shares of 2% non-cumulative redeemable second preferred stock with a par value of 10 cents per share. The distribution had a face value of 30 cents per common share then held. In December the Company paid an annual dividend of 15 cents per share, increased from 10 cents per share the year before. A dividend at a 2% rate was also paid on the newly issued second preferred shares.





Outlook

The short term outlook over the next two or three months is for lower profit margins, not only due to higher cost elements but to switching of large contracts in our plants.

Monetary tightness is also affecting our sales, as customers postpone takedown of goods ordered; particularly in plastics we note the curious combination of having a rising order position and falling sales.

The outlook for the second half of this year is much stronger, as we expect major contracts to be proceeding smoothly and anticipate rising sales in packaging products and plastics.

Concern must be noted about inflationary pressures and our inability in Canada and the United States to deal with the problem, despite record money costs and a shrinking money supply. Though our economies have already experienced about four months of recession, the cost of industrial materials and in particular labour, moves upwards unabated.

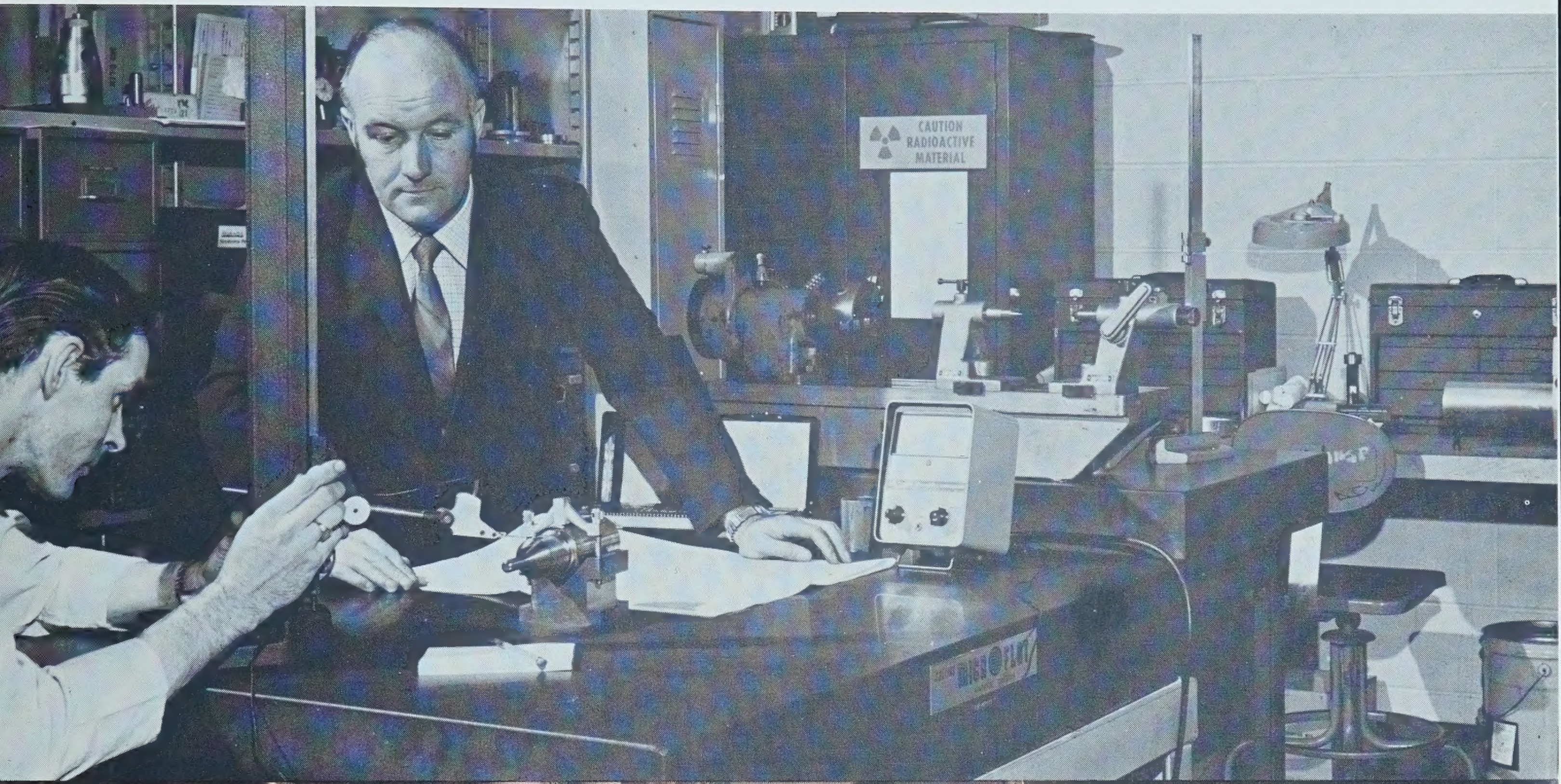
Your Company, being small, is moved along by economic tides over which it has no control. Being small, however, means being flexible and reacting rapidly to changing circumstances. Your Company has management and technical skills in the precision forming of metals and plastics; we serve a variety of growing markets; we are technologically innovative; we have a proven record for introducing new products adaptable to our technology and equipment. As in the past, we are confident of being able to continue to grow profitably, even through periods of changing economic circumstance.

The Board of Directors join me in thanking the people of General Impact for making our progress possible. We also recognize with thanks the contribution to our progress made by our suppliers, customers and shareholders.

March 6th, 1970.

Michael M. Koerner
President

Charles Green, Manager Quality Control, right, oversees gauging procedure in tool lab at the Toronto plant.



Roy Laxon, center, Assistant Plant Manager, Packaging Division, Toronto, discusses product from an automatic collapsible tube production line.

DIRECTORS

BERNARD d'ARAGON, *Executive Vice-President, Pole-Lite Ltd., Montreal*

ROGER L. BEAULIEU, Q.C., *Martineau, Walker, Allison, Beaulieu, Phelan & MacKell, Montreal*

J. MONTAGUE BRIDGMAN, *President, Acres Management Services Limited, Toronto*

MICHAEL M. KOERNER, *President*

J. ANDREW POWELL, *President, Uniforce Ltd., Montreal*

OTTO E. RIEDER, *General Manager*

DONALD C. WEBSTER, *President, Helix Investments Ltd., Toronto*

OFFICERS

MICHAEL M. KOERNER, *President*

OTTO E. RIEDER, *General Manager*

DONALD C. WEBSTER, *Vice-President*

ROGER L. BEAULIEU, Q.C., *Secretary*

Officers and key personnel of operating subsidiaries and affiliated company

GENERAL IMPACT EXTRUSIONS (MANUFACTURING) LTD.

MICHAEL M. KOERNER, *President*
OTTO E. RIEDER, *Executive Vice-President and General Manager*
DONALD S. ARNOTT, *Vice-President Sales*
FREDERICK N. DEWIS, *Vice-President Manufacturing*
GEORGE B. THIEL, *Treasurer*
ROGER L. BEAULIEU, Q.C., *Secretary*

G.I.E. CORPORATION

MICHAEL M. KOERNER, *President*
OTTO E. RIEDER, *Vice-President*
WILBUR HARRIS, *General Manager*
J. PALESTINO, *Sales Manager*
PAUL C. WEAVER, *Secretary*

XYNO PLASTICS LTD.

CHARLES W. LOFGREN, *Chairman*
MICHAEL M. KOERNER, *President*
OTTO E. RIEDER, *Vice-President*
DONALD C. WAINMAN, *General Manager*
GEORGE B. THIEL, *Treasurer*
ROGER L. BEAULIEU, Q.C., *Secretary*

Directors of General Impact Extrusions Ltd.: seated left to right, J. Andrew Powell, Michael M. Koerner, Otto E. Rieder, J. Montague Bridgman; standing left to right, Roger L. Beaulieu, Bernard d'Aragon. Absent from photo is Donald C. Webster.

GENERAL IMPACT EXTRUSIONS

Consolidated Balance Sheet—December 31

ASSETS

	1969	1968
Current assets:		
Cash	$ 45,511	$ 187,280
Accounts receivable	1,308,706	1,877,672
Income taxes refundable	89,575	—
Inventories at the lower of cost or net realizable value	1,437,814	1,205,598
Containers, tooling and prepaid expenses	313,786	297,026
Total current assets	3,195,392	3,567,576
Fixed assets, at cost less depreciation:		
Machinery and equipment	4,115,075	3,102,667
Less accumulated depreciation	1,631,249	1,176,774
	2,483,826	1,925,893
Equipment under construction	158,460	204,190
Leasehold improvements, at cost less amounts amortized	237,293	249,982
Net fixed assets	2,879,579	2,380,065
6% note of International Minting & Metalarts Corporation due October 1, 1976 convertible into common stock	193,000	—
Investment in Xyno Plastics Ltd. (50% owned) (note 1)	630,105	273,287
Deferred charges (note 2)	227,589	282,649
	$7,125,665	$6,503,577

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED

1. Principles of Consolidation:
The consolidated financial statements include the accounts of two wholly-owned subsidiaries. The investment in Xyno Plastics Ltd. (50% owned) is carried at cost plus the Company's share of the consolidated net earnings of Xyno since acquisition. Assets and liabilities and income and expense arising in U.S. dollars have been converted at appropriate rates of exchange.

2. Deferred charges:
Deferred charges include $212,374 in respect of preproduction and start up costs of the Buffalo plant and $15,215 in respect of unamortized debenture issue expenses. The preproduction and start up costs are being amortized over a five year period which commenced January 1, 1969. The debenture issue expense is being amortized over the life of the related debt.

3. Long-term debt:
Long-term debt at December 31, 1969 and 1968 consists of:

	1969	1968
Secured:		
By floating charges:		
7½% loan repayable in monthly instalments of $6,250 plus interest	$ 31,250	106,250
Less portion due within one year	31,250	75,000
	—	31,250
8½% loan repayable in monthly instalments of $1,000 to May, 1970 and thereafter in monthly instalments of $8,840 plus interest	226,000	238,000
Less portion due within one year	66,880	12,000
	159,120	226,000
7% promissory note repayable in monthly instalments of U.S. $4,514 to September 1975	329,966	349,375
Less portion due within one year	58,230	14,512
	271,736	334,863
By equipment:		
Balance of Government capital assistance grant contracts, repayable in annual instalments to 1972 without interest	100,572	137,444
Less portion due within one year	36,872	36,872
	63,700	100,572
Total secured debt	494,556	692,685
Other:		
7½% convertible debentures (see below)	771,800	775,000
Total long-term debt	$1,266,356	1,467,685

The 7½% convertible debentures due November 15, 1978 are convertible to common shares at any time prior to maturity on the basis of ten common shares for each $100 principal amount of debentures and are redeemable at the option of the Company at a premium of 20%. During the year ended December 31, 1969 debentures in the amount of $3,200 were converted into common shares.

4. Capital Stock:
The following changes in issued shares occurred during the year ended December 31, 1969:

	Number of Shares Issued	Stated Value
Common Shares:		
Amount at December 31, 1968	518,900	$ 700,650
Exercise of options (note 5)	2,940	26,460
Conversion of 7½% convertible debentures (note 3)	320	3,200
Exercise of warrants to purchase common shares granted to shareholders of record on December 1, 1969 giving right to subscribe for one share for each six shares held	85,691	856,910
Amount at December 31, 1969	607,851	$1,587,220

TD. AND SUBSIDIARIES

969, with comparative figures for 1968

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current liabilities:		
Bank loans—secured by accounts receivable and inventories	$1,437,750	$1,225,750
Accounts payable and accrued liabilities	930,216	1,423,251
Income taxes payable	—	169,186
Current portion of long term debt (note 3)	193,232	138,384
Total current liabilities	2,561,198	2,956,571
Long-term debt (note 3)	1,266,356	1,467,685
Deferred income taxes	420,340	419,300
Shareholders' equity:		
Capital stock (notes 4 and 5):		
5% non-cumulative first preferred shares of $100 par value per share. Authorized 2,000 shares; issued and redeemed 1,131 shares; outstanding nil	—	—
2% non-cumulative redeemable second preferred shares of 10 cents par value per share Authorized 2,000,000 shares; issued 1,556,700 shares	155,670	—
Common shares without par value. Authorized 800,000 shares; issued 607,851 shares; 1968—518,900 shares—stated value	1,587,220	700,650
Retained earnings (note 6)	1,134,881	959,371
Total shareholders' equity	2,877,771	1,660,021
	$7,125,665	$6,503,577

On behalf of the Board:
MICHAEL M. KOERNER, *Director*
OTTO E. RIEDER, *Director*

NANCIAL STATEMENTS

	Number of Shares Issued	Par Value
2% non-cumulative redeemable second preferred shares:		
Stock dividend to common shareholders of record January 31, 1969 of 3 preferred shares in respect of each common share held	1,556,700	$ 155,670
Amount at December 31, 1969	1,556,700	$ 155,670

5. Capital Stock Commitments:
   (a) Employee stock options:
   Following is a summary of changes during the year ended December 31, 1969:

		Number of Shares
Options outstanding at December 31, 1968		10,200
Deduct:		
Options exercised (note 4)	2,940	
Options terminated	300	3,240
		6,960
Add options granted		4,400
Options outstanding at December 31, 1969		11,360

Under the terms of the options, employees may subscribe for common shares at $10 per share until December 14, 1970, such price to increase by $1 each year thereafter. Options as to 6,960 shares expire on December 15, 1972 and as to 4,400 shares on December 15, 1974.

   (b) Other:
   At December 31, 1969 a further 77,180 common shares were reserved for issuance in respect of the 7½% convertible debentures due November 15, 1978 (note 3).

6. Retained earnings:
   Under the provisions of Section 61 of the Canada Corporations Act, $113,100 of the retained earnings is classified as capital surplus.

7. Commitments:
   (a) Obligations under leases of manufacturing and office premises involve annual payments of $146,000 to 1982 and thereafter $106,000 to 1987.
   (b) Purchase commitments in respect of machinery and equipment amount to approximately $100,000 at December 31, 1969.

8. Supplementary information:
   The following amounts have been charged against operating income:

	1969	1968
Depreciation and amortization	$477,398	327,887
Remuneration of officer-directors	77,100	62,500
Remuneration of directors for services as such	12,100	9,700
Interest on long-term debt including amortization of debenture issue expense	108,700	47,637
Amortization of preproduction and start up costs	53,323	—

9. Income Taxes:
   Income tax expense for 1969 takes into consideration in respect of the U.S. subsidiary the tax benefits from the pre-operating and start up costs incurred in 1968 which are deferred for financial statement purposes. The U.S. investment credit of $63,425 for tax purposes has also been taken into account.

10. Pension Plan:
   The Company proposes to introduce a pension plan for eligible employees of the Company and its Canadian subsidiary with effect from January 1, 1970. The plan is not yet finalized but based upon preliminary calculations the initial liability in respect of service prior to January 1, 1970 is estimated to be approximately $100,000. The subsidiary proposes to amortize the past service costs in annual payments to 1990.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended December 31, 1969, with comparative figures for 1968

	1969	1968
Sales	$10,500,773	$10,359,814
Cost of sales	9,067,154	9,154,463
Gross profit	1,433,619	1,205,351
Selling and administrative expenses	884,171	651,910
Operating income (note 8)	549,448	553,441
Other income	23,670	10,003
Share of net earnings of Xyno Plastics Ltd. (note 1)	55,905	31,047
	79,575	41,050
Earnings before income taxes	629,023	594,491
Income taxes (note 9):		
Current	198,160	330,000
Deferred	1,040	(28,700)
	199,200	301,300
Net earnings before extraordinary item	429,823	293,191
Reduction of taxes on income arising from prior year's losses	24,000	—
Net earnings for the year	453,823	293,191
Retained earnings at beginning of year	959,371	718,070
	1,413,194	1,011,261
Deduct:		
Cash dividends:		
Common shares	78,300	51,890
Preferred shares	3,113	—
	81,413	51,890
Stock dividend to common shareholders (note 4)	155,670	—
Special tax under Section 105(2) of the Income Tax Act	27,471	—
Share issue expense	13,759	—
	278,313	51,890
Retained earnings at end of year	$ 1,134,881	$ 959,371

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of General Impact Extrusions Ltd. and subsidiaries as of December 31, 1969 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 18, 1970

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1969, with comparative figures for 1968

	1969	1968
Funds provided:		
Net earnings	$ 453,823	$ 293,191
Charges (credits) not involving cash:		
Depreciation and amortization	532,458	328,083
Deferred income taxes	1,040	(28,700)
Funds provided from operations	987,321	592,574
Issue of long-term debt less expenses	—	1,129,136
Issue of common shares less expenses	872,811	—
Total funds provided	1,860,132	1,721,710
Used as follows:		
Purchase of fixed assets (net)	976,912	835,808
Preproduction and start up costs (note 2)	—	206,594
Reduction of long-term debt	201,329	165,214
Increase in investment in Xyno Plastics Ltd.	356,818	186,234
Cash dividends	81,413	51,890
Special tax under Section 105(2) of the Income Tax Act	27,471	—
Note due October 1, 1976	193,000	—
	1,836,943	1,445,740
Increase in working capital	$ 23,189	$ 275,970

See accompanying notes to financial statements.

FIVE YEARS OF FINANCIAL PROGRESS

	1969	1968	1967	1966	1965
Sales	$10,500,773	$10,359,814	$9,992,732	$6,661,466	$2,900,690
Cost of Sales	9,067,154	9,154,463	8,803,401	5,943,362	2,565,472
Gross Profit	1,433,619	1,205,351	1,189,331	718,104	335,218
Income before taxes	629,023	594,491	750,662	394,965	112,348
Income Taxes	175,200	301,300	366,060	196,000	52,322
Net Income	453,823	293,191	384,602	198,965	60,026
Depreciation and amortization charged	532,458	327,887	232,922	149,294	153,707
Cash Flow	987,321	592,574	777,524	483,259	258,055
Net Income per share	0.87*	0.57*	0.74	0.38	0.11
Cash Flow per share	1.89*	1.14*	1.50	0.93	0.49
Dividends per share	0.15	0.10	0.10	0.083	0.033
Capital Expenditures	976,912	844,343	1,045,113	540,164	470,047
Number of Employees	585	568	478	381	235

(*based on weighted average of shares outstanding during period)

GENERAL IMPACT EXTRUSIONS LTD.

Wholly-owned subsidiaries

GENERAL IMPACT EXTRUSIONS (MANUFACTURING) LTD.
191 Evans Ave., Toronto 18, Ontario.

G.I.E. CORPORATION
75 Boxwood Lane, Cheektowaga, New York 14225, U.S.A.

Affiliated company

XYNO PLASTICS LTD.
399 Kennedy Road, Scarborough, Ontario.

Printed in Canada